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C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 001259

SIPDIS

DEPARTMENT FOR EUR/CE

E.O. 12958: DECL: 09/02/2018  
TAGS: [PREL](#) [ENRG](#) [AU](#) [RU](#) [GG](#)  
SUBJECT: AUSTRIA UNLIKELY TO CANCEL SOUTH STREAM PIPELINE  
TALKS ABSENT CONCERTED PRESSURE

REF: VIENNA 01247 AND PREVIOUS

Classified By: DCM Scott Kilner for reasons 1.4 (b) and (d).

CONFIDENTIAL  
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¶1. (C) SUMMARY. Austrian government representatives admit the timing is poor but appear unlikely to cancel or postpone official talks in Moscow next week on participation in the South Stream gas pipeline. Only the addition of significant pressure from EU partners is likely to move the GOA from its current course. END SUMMARY.

Business As Usual  
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¶2. (C) Reftel outlines Post's concern over planned Economic Ministry talks September 8 in Moscow on a draft intergovernmental agreement for participation in the Gazprom-ENI South Stream gas pipeline. While the prospect of GOA participation in South Stream is not new -- in June, EconMin Bartenstein met with Gazprom CEO Alexei Miller, signaling interest in the project -- the timing could not be worse.

¶3. (C) So far, GOA reps have downplayed the draft South Stream agreement and indicated they are unlikely to cancel or postpone the September 8 talks. On August 29, DCM contacted MFA Political Director Thomas Mayr-Harting to raise reftel concerns, highlighting the contrast between FM Plassnik's words ("cannot return to business as usual") and MinEcon/OMV behavior. While noting USG concerns and agreeing that the timing is poor, Mayr-Harting downplayed the Moscow talks as lower-level "technical" discussions intended to lay groundwork and not to close the deal. (NOTE: we were told by a working-level MinEcon contact that

a final agreement could be weeks away.) Mayr-Harting reiterated Austria's political opposition to Russian behavior but said that neither Austria nor France support sanctions, and derailing this kind of "contractual" negotiation would be very difficult. Neither the GOA nor OMV share our concerns that South Stream could undermine the Nabucco pipeline project, he opined.

¶4. (C) In response to an attempted call (on Sept. 29) by the Ambassador to FM Plassnik, MFA Secretary General Hans Kyrle contacted the DCM on September 1 to reiterate the GOA position.

"No decision will be made" about continuing with the South Stream talks until after the outcome of the Extraordinary European Council, he said.

¶5. (C) French Embassy counterparts here report that OMV will sign an unspecified agreement with Gazprom at the end of this week, with an OMV press statement to be issued as early as September 3. They have informed Paris, but have received no instructions/guidance.

COMMENT: Change Unlikely, Absent Concerted European Pressure

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¶6. (C) Despite the European Council's strong words, GOA leadership is likely to highlight the absence of formal sanctions as cover for going ahead with South Stream talks. In the past, the GOA has followed the letter of international sanctions while sometimes allowing Austrian business to dodge the spirit of international pressure

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against rogue regimes (anchoring its behavior on Austria's post-war neutrality). In a pinch, the GOA can off-load unpopular steps on OMV. Since energy security now has a strong de facto European dimension, only European pressure is likely to move Austria beyond its minimalist stance.

¶7. (C) GOA leadership may understand, privately, that the South Stream project poses a threat to Nabucco's viability and would increase Europe's dependence on Russian infrastructure. However, absent pressure from EU partners and perhaps a tangible boost to Nabucco, the GOA is unlikely to call into question OMV's "reliability" as a Gazprom customer and potentially undermine other lucrative Austrian business interests in Russia.

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